



Legislative Fiscal Bureau

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February 1, 2022

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 432/Senate Bill 429: Construction and Issuance of Motor Vehicle Registration Plates

Assembly Bill (AB) 432 was introduced on July 1, 2021, and referred to the Assembly Committee on Transportation. On December 14, 2021, Assembly Amendment 2 to the bill was adopted on vote of 10-3 and the bill was recommended for passage, as amended, on a vote of 8-5.

Senate Bill 429 was introduced on June 24, 2021 and referred to the Committee on Transportation and Local Government. On January 20, 2022, the Committee adopted Senate Amendment 2, and also recommended passage of SB 429, as amended, on votes of 5-0.

On January 27, 2022, Assembly Substitute Amendment (ASA) 1 to AB 432 and Senate Substitute Amendment (SSA) 1 to SB 429 were introduced.

CURRENT LAW

Under current law, registration plates can be redesigned at intervals determined to be appropriate by the Department of Transportation (DOT). This is termed rebasing of the state's vehicle license plate. With few exceptions, the required replacement of vehicle registration plates may only occur after DOT redesigns the registration plate. DOT has statutory authority to assess a \$2 fee per plate replacement, or \$4 for a set of plates, if an individual voluntarily applies to replace their plate(s) because their existing plates become illegible, are lost, or are destroyed.

Current law also requires motorists to replace their plates for a \$4 fee per set when the plates become illegible, are lost, or are destroyed. In 2020, nearly 50,000 license plates were replaced voluntarily by customers for these reasons, among others. Revenues from the fees are initially included in revenues deposited to the registration fee trust to pay annual debt service on transportation revenue bonds, after which the residual annual revenues from all registration and title fees are deposited to the transportation fund. DOT expenditures related to vehicle registration

plates are funded from an annual segregated transportation fund appropriation for Division of Motor Vehicles (DMV) general operations.

DOT currently issues approximately 725,000 new sets of plates each year, most of which are the result of existing plates being retired, new plates being issued on a vehicle for various reasons, or first time vehicle registrations. The 725,000 plates issued include the nearly 50,000 in plates that are currently being replaced each year. However, for all other sets of plates (approximately 675,000) that are issued each year, DOT does not assess a separate fee in addition to the annual registration fee.

DOT currently has authority to redesign and rebase the state's vehicle registration plates. However, due to the current \$4 fee being less than the replacement cost for those plates, DOT has not rebased the state's vehicle registration plates for some time.

The Department of Corrections' (DOC) Bureau of Correctional Enterprises oversees the procurement of raw materials and the production of state vehicle license plates. DOT purchases the vehicle registration plates from DOC and also incurs costs related to the handling, processing, and mailing of vehicle license plates. As a result, both DOT and DOC have revenue and expenditure authority associated with the manufacturing and issuance of vehicle license plates in the state.

SUMMARY OF AB 432/SB 429

AB 432/SB 429 would require that beginning with registrations initially effective on February 1, 2022, and upon receipt of a completed application to renew the registration, DOT would be required to issue and deliver two new registration plates for a vehicle for which a plate has not been issued during the previous seven years. The required issuance of these new, replacement registration plates would apply to the registration of automobiles, light weight trucks, and dual purpose motor homes.

AB 432/SB 429 would provide DOT the authority to assess a fee of \$6.50 for the replacement plate sets required to be issued under the bills. Upon receipt of the payment \$6.50 fee for plates, DOT would be required to issue a new replacement set of plates, and upon receipt of the replacement plates, the applicant would have to destroy the replaced plates. AB 432/SB 429 would also modify the current law fee from \$4.00 per set of plates to \$6.50 per set that DOT can assess vehicle owners when they are required to replace an illegible plate or when the plate is lost or destroyed.

The bills would specify that beginning with registrations initially effective February 1, 2022, all registration plates for automobiles, light trucks, and dual purpose motor homes issued by DOT would have to be constructed with aluminum plates tempered to a hardness and thickness of approximately 0.027 inches and prismatic sheeting with embedded security features. The registration plate sheeting would have to be a type successfully used by the manufacturer in multiple jurisdictions and have an initial minimum coefficient of reflectivity of 150 candelas per lux per square meter and an initial minimum luminance factor greater than 55.

Assembly Substitute Amendment 1/Senate Substitute Amendment 1

ASA 1/SSA 1 would continue to require DOT to replace vehicle registration plate sets and use the new license plate manufacturing and sheeting requirements outlined in the bills. However, ASA 1/SSA 1 would specify that the requirement that DOT replace vehicle registration plates would apply to plates that have not been issued during the previous 10 years, rather than those issued in the last seven years as required under the original bills. The substitute amendments would also allow DOT to assess \$4 per plate, or \$8 per set of plates, instead of the \$3.25 per plate, or \$6.50 per set, allowed under the original bills. Additionally, ASA 1/ SSA 1 would allow DOT to accomplish the 10-year replacement of plates in a timeframe determined by the Department rather than having to immediately replace all plates ten years old or older. However, the substitute amendments would require DOT to complete the issuance of all vehicle registration replacement plates by July 1, 2032. ASA 1/SSA 1 would also limit the vehicle registrations that would be subject to the replacement requirement to registration of automobiles, light weight trucks, and dual purpose vehicles.

The substitute amendments would also specify that DOT could request ongoing funding for the costs to administer the replacement of registration plates from the Joint Committee on Finance under s. 13.10. If such funding is approved by the Committee, DOT would be required to submit to the Legislative Reference Bureau for publication in the Wisconsin Administrative Register a notice specifying the date that the funding is approved.

ASA 1/SSA 1 would also modify the effective date of the provisions of the bills. The provisions would first be effective on July 1, 2022, rather than February 1, 2022, except for the provision requiring the DOT to issue replacement plates for all those plates ten years old or older. Under the substitute amendments, that provision would first be effective on the date specified in the notice published in the Wisconsin Administrative Register following approval of ongoing funding from the Joint Committee on Finance under s. 13.10, or on July 1, 2023, whichever is earlier.

The bills would not provide DOC or DOT any additional expenditure authority to carry out the provisions of the bills.

FISCAL EFFECT

Department of Corrections

DOC submitted a fiscal estimate on October 5, 2021 for AB 432 and on October 7, 2021 for SB 429 that included estimated costs for the raw materials upgrade, license plate replacement, and increased labor required under the bills. However, subsequent to the publication of the fiscal estimate: (a) DOC indicated that it received updated and more detailed information; and (b) several amendments have been introduced that would impact the number of, and timeline for, replacement plates. Assuming a 10-year replacement schedule (as outlined in ASA 1/SSA 1) DOC estimates the total cost to manufacture a set of automobile or light truck series plates would be \$5.78 with the prismatic sheeting required under the bills (compared to the current \$2.90 cost-per-set estimate). The cost includes salaries and fringe benefits for an additional 2.0 Bureau of Correctional Enterprises (BCE) supervisor positions, as a second shift would be needed to produce the additional number of plates required under the bills. The cost also factors in the estimated price for the raw materials

upgrade, additional inmate-workers, and utilities. The cost estimate assumed DOC would continue to manufacture the current level of plate sets annually, plus an additional 400,000 sets of replacement plates, as would be required under the substitute amendments.

The \$5.78 per-set of plates estimate does not include the cost for an additional 2.50 officer and sergeant positions, which DOC indicates would be required to provide security for the additional worker shift. The security costs are not included because these positions are GPR funded, rather than PR funded like the BCE positions. It is estimated that the 2.50 security positions would cost approximately \$260,000 GPR on an annualized basis; the substitute amendments do not provide DOC with funding to cover these costs. In addition, the substitute amendments do not provide additional expenditure authority for DOC to purchase the new, more expensive, raw materials required. As a result, to the extent necessary, DOC may need to submit a request under s. 16.515 or s. 13.10, or in its 2023-25 biennial budget request, for this authority or funding in the future. Finally, the cost estimate does not include funding for the equipment and machines used to produce license plates. Currently, DOC has five embossers, all of which are at or near 50 years old. In addition, the current paint line equipment is from the 1980's. Given the increase in plate production required under the substitute amendments, these items may need to be replaced in the "near future." DOC does not currently have an estimate for replacement machinery and equipment costs.

Note that a request for proposal (RFP) would be required to procure the materials identified in the bills. DOC indicates that a RFP typically requires a minimum of six months for a vendor to be chosen. However, given that the bills introduce a new product, DOT would need to develop specifications to include in DOC's RFP (for example, water exposure performance, reflective characteristics, and adhesive capabilities, among other details), which lengthens the process to nine to 12 months, "assuming most of the procurement process runs smoothly." This timeline also does not factor in time needed for weather testing materials subject to the proposal, if deemed necessary by DOT. As a result, it is not likely that the new plates and related costs would be produced and incurred at beginning in fiscal year 2022-23.

Department of Transportation

DOT submitted a fiscal estimate for AB 432/SB 429 on November 18, 2021. Subsequently the Department provided a revised estimate that reflects the provisions of ASA 1/SSA 1. In this revised estimate, DOT projects that the Department would need to issue approximately 400,000 sets of license plates annually in order to replace affected license plates that are 10 years or older. These sets of plates would be produced in addition to the approximately 725,000 sets of license plates (675,000 new sets and 50,000 replacement sets) that DOT currently issues on an annual basis. As a result, under the substitute amendments, approximately 1,125,000 sets of plates would need to be manufactured and issued each year.

Using DOC's cost estimate for the specific materials required under the substitute amendments as well as other material and labor costs needed to issue the required number of plate sets, it is projected that each set of plates would cost DOT \$9.54 to purchase and deliver, as follows: (a) \$5.78 in manufacturing costs using DOC cost estimates; (b) \$3.71 for postage costs, as indicated by DOT; and (c) \$0.05 for in license plate sticker costs, as indicated by DOT. DOT notes that its postage costs estimate would not account for any increase in postage rates over time, which historically increase

on a regular basis. At \$9.54 per plate set, issuing 400,000 additional replacement plate sets each year, would cost \$3.8 million annually. In addition, using DOC's estimated manufacturing material and labor costs, DOT would also incur costs to manufacture and issue the 725,000 new sets of plates that it currently issues each year, including an estimated 50,000 current replacement plates. While the requirement to replace all existing plates would likely result in new costs to DOT, some of the costs to issue the 725,000 new plate sets each year are already being incurred by the Department. Just the incremental costs between the cost to manufacture and distribute the new plate sets compared to the same costs for the those plates issued under current law would be additional cost associated with the bills.

ASA 1 to AB 432/SSA 1 to SB 429 would institute a fee of \$8 per plate set for any vehicle owners whose license plates would have to be replaced. According to DOT's revised estimate, its current projection that nearly 400,000 replacement plate sets would be issued each year would generate additional revenue of \$3.2 million annually to the transportation fund. The fund would also get \$4 per plate set in additional revenue, or \$200,000 annually, from the nearly 50,000 replacement plate sets the Department currently issues each year to reflect the replacement fee increase from \$4 to \$8 per set. Finally, while DOT would incur additional costs associated with the 675,000 (725,000 - 50,000) non-replacement plate sets it currently issues, DOT does not assess an additional fee associated with those plate sets, and no additional revenue would be deposited to the transportation fund associated those plates.

Neither the bills, nor the substitute amendments, would provide DOT any additional funding authority at this time. However, the substitute amendments would allow DOT to request ongoing funding from the Joint Committee on Finance under s. 13.10 to carry out the provisions requiring the replacement of the vehicle registration prior to the provisions becoming effective. If such funding is not requested by DOT, or approved by the Committee, the provisions requiring the replacement of vehicle plate sets would become effective July 1, 2023. In the event that the July 1, 2023 date would become the effective date of these provisions, DOT, the Governor, or the Legislature could seek funding for the provisions as part of the 2023-25 biennial budget deliberations. Because DOC would have to go to RFP for new plate sets, and would have better idea of the costs to increase plate production, at either of these potential effective dates, DOT would likely have a better idea of the ongoing costs that would be incurred and revenues that would be generated.

It should also be noted that despite the later effective date allowed under the substitute amendments, DOT could incur additional costs associated with the new plate materials, which would be required effective July 1, 2022. As noted, DOC indicates that the costs per plate set could increase due to the new manufacturing materials and prismatic sheeting. DOT could begin to incur these costs at some point after July 1, 2022, when DOC begins to manufacture the new plates regardless as to whether DOT has received ongoing funding under s. 13.10.

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